

Government Purchasing Agency

Annual Report

2009 - 2010


Newfoundland
Labrador



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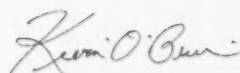
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Message from the Minister

It is my pleasure to present the Government Purchasing Agency's (the Agency) 2009-10 Annual Report. As Minister responsible I am accountable for the results presented. The report is performance based and reflects the success of the Agency in meeting the 2009-10 goals and objectives as outlined in its 2008-11 Business Plan. It will also provide details on Agency activities and identify potential opportunities and challenges for 2010-11.

The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development. This authority is provided through both the *Government Purchasing Agency Act* and the *Public Tender Act*. During the year the Agency has worked diligently in meeting its obligations. Along with fulfilling the procurement needs of departments, staff have continued to deliver training and information sessions to both the public sector and supplier community. Efforts toward the implementation of a centralized procurement model have also continued. This model will streamline procurement across departments ensuring a consistent and systematic process.

I would like to take this opportunity to acknowledge those who contributed to this report and the dedication of the staff of the Government Purchasing Agency.



Kevin O'Brien
Minister



"The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development."

Government Entity Overview

The Government Purchasing Agency (the Agency) is an independent branch of the public service with 29 staff positions under the management and control of a Chief Operating Officer. The Agency operates under the authority of the *Government Purchasing Agency Act* and the *Public Tender Act*.

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *The Public Tender Act* - primary legislation that governs procurement within the public sector.

Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Mission

The mission statement of the Agency is expressed as follows:

By 2011, the Government Purchasing Agency will have improved internal business processes to enhance efficiencies in the procurement process.

It aims to achieve this mission through:

- work flow processes are clearly defined and communicated to staff,
- policies and procedures are clearly defined and communicated to staff,
- improved turn-around times for processing requisitions,
- consolidating purchasing activity for volume buying, and
- increased access to procurement information.

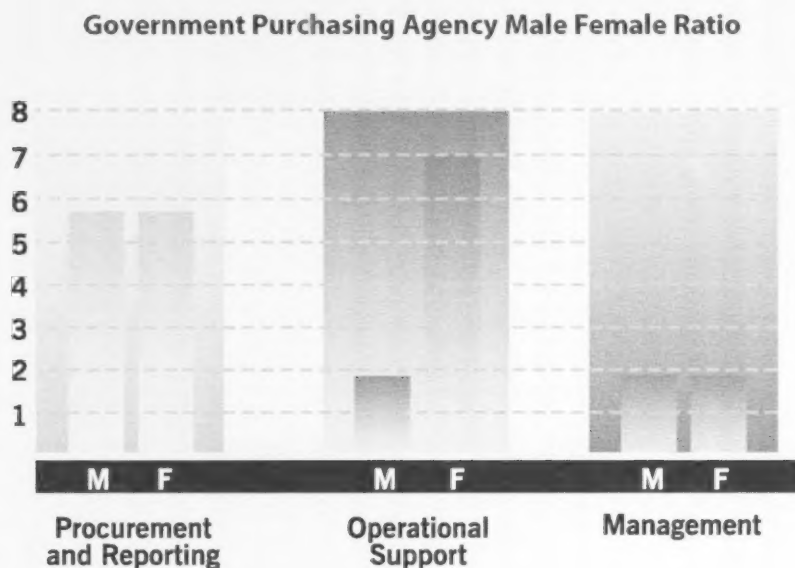
Organizational Structure

The Agency has four divisions which collectively ensure the delivery of its programs and services;

- Procurement,
- Audit,
- Contracts, Systems and Supplier Development, and
- Planning and Administration.

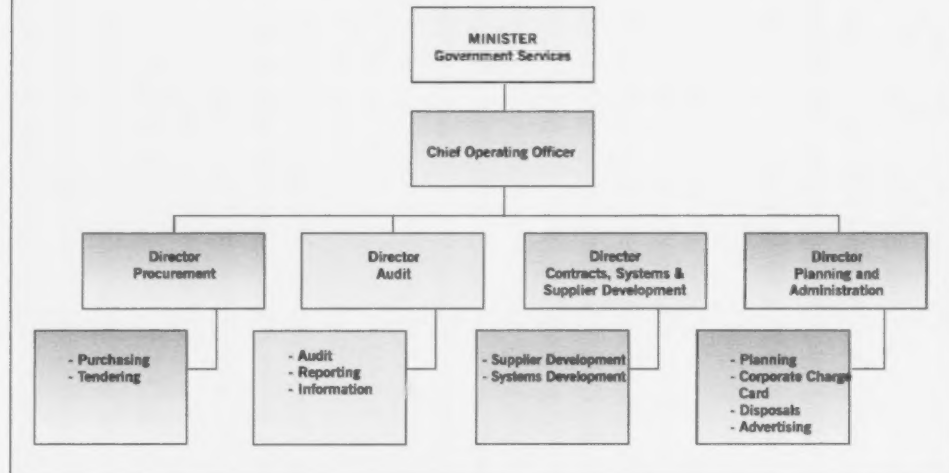
Each division reports directly to the Chief Operating Officer who reports to the Minister of Government Services. Clients of the Agency include government departments, government funded bodies and the supplier community.

There are currently 25 staff members with a female to male ratio of approximately 1.3:1. There are four Directors, two of which are female. The following chart depicts the male/female staff breakdown.



The Agency is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, NL. It serves all its clients from this location.

Government Purchasing Agency Organizational Structure



Mandate

The Government Purchasing Agency is responsible for the acquisition of all goods and services required by departments of the public service. This authority may be delegated in full or in part to departments where it is deemed by the Chief Operating Officer to be efficient to do so. The Agency may also acquire goods and services required by government-funded bodies. This action, however, requires direction from the Lieutenant-Governor in Council.

The Agency is also responsible for compiling and reporting exceptions to the *Public Tender Act*, awards to other than the preferred bidder and information respecting a tender invitation and tender award. The Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for exceptions to the *Public Tender Act*.

Audits of departments and government funded bodies are carried out to ensure compliance with procurement legislation. Training is provided to members of the public service and supplier community to ensure awareness of applicable legislation and purchasing policies and procedures.

Lines of Business

The mandate and operations of the Agency are captured by two lines of business; Procurement and Audit, Information and Training.

Procurement

The procurement cycle includes the following;

- tendering and acquisition of goods and services,
- coordination and administration of high volume contracts,
- coordination of departmental advertising,
- disposal of crown assets, and
- the provision of corporate charge cards for business travel.

Tendering and Acquisition of Goods and Services

In accordance with the *Public Tender Act*, goods and services in excess of \$10,000 are publicly tendered unless special circumstances exist. Acquisitions less than or equal to \$10,000 require three quotes or a fair and reasonable price.

The Agency uses a website, www.gpa.gov.nl.ca, to advertise bidding opportunities with an estimated value of \$2,500 or greater. This website provides the public with a central location to access procurement opportunities throughout this and other provinces, as well as links to the applicable legislation and trade agreements.

Coordination of High Volume Contracts

The Central Purchasing Authority was established to coordinate and administer a system of high volume procurement on behalf of departments and government-funded bodies. In 2009-10, it administered 31 contracts.

Advertising

Advertising is used to communicate significant issues, vital information and bidding and employment opportunities. The advertising requirements of government departments are coordinated through the Agency. Through this process the Government of Newfoundland and Labrador is able to achieve significant cost savings.

Disposals

The Agency coordinates and arranges for the disposal of assets on behalf of government entities. Disposal methods consist of public tender, auction, transfers between departments or agencies, and destruction where the asset has no remaining realizable value. Surplus assets are held in Building 910, which is located in Pleasantville.

Corporate Charge Card

The Government of Newfoundland and Labrador utilizes a Corporate Charge Card for travel and travel-related goods and services. This system, which is administered by the Government Purchasing Agency, facilitates business travel for employees of the public service. In 2009-10, there were 2,490 active cards.

Audit, Information and Training

Audit

The Agency is responsible for the administration and proper application of the following legislation and intergovernmental trade agreements:

- *Public Tender Act*
- Public Tender Regulations
- Atlantic Procurement Agreement
- Agreement on Internal Trade

In accordance with this responsibility staff perform audits of department and government funded body purchases to ensure legislative compliance. Interpretive services are also available for those seeking clarification on procurement issues.

Training

Training and information sessions are provided to ensure procurement is completed in a manner consistent with legislation. Participants are provided with an overview of the *Public Tender Act* and regulations, trade agreements and purchasing policies and procedures.

To participate in the many bidding opportunities suppliers must also remain informed of government's legislation, policies and processes. Through partnership with the Department of Innovation, Trade and Rural Development the Agency provides forums throughout the Province where the public can gather information on the public procurement process (i.e. the type of goods and services purchased, how these items are acquired and how to gain access to bidding opportunities).

Reporting/Information

The *Public Tender Act* identifies the reporting responsibilities of the Agency with respect to exceptions to the Act. Throughout the year 1,467 exceptions were reported and subsequently submitted to the House of Assembly in the form of Monthly Exception Reports.

Tender and award information from departments and government funded bodies is also collected and analyzed throughout the year. The Tender Award and Reporting System, developed by the Agency, allows for the monitoring of procurement patterns across the province and the success of local companies bidding on Government tenders.

Shared Commitments

The Agency continues to develop and maintain relationships with various government departments, the industry sector and federal and territorial governments.

Public Sector

In accordance with its Strategic Direction "Compliance with the *Public Tender Act*" the Agency provides training to departmental staff and employees. In addition, Agency staff are available to the public service in the development of tender specifications, bid evaluation, the tendering and award process and interpretation and application of relevant legislation. By informing the public service of the legislative requirements and assisting them in their on-going procurement needs the Agency is promoting compliance and increasing transparency and accountability within procurement.

Industry

In continuing its partnership with the Department of Innovation, Trade and Rural Development (INTRD) the Agency is supporting its "Supplier Development" Strategic Direction. The Department of INTRD coordinates Supplier Information sessions throughout the Province. Participation by Agency staff ensures suppliers remain current with procurement policies, procedures and on going bidding opportunities.

Federal/Territorial Governments

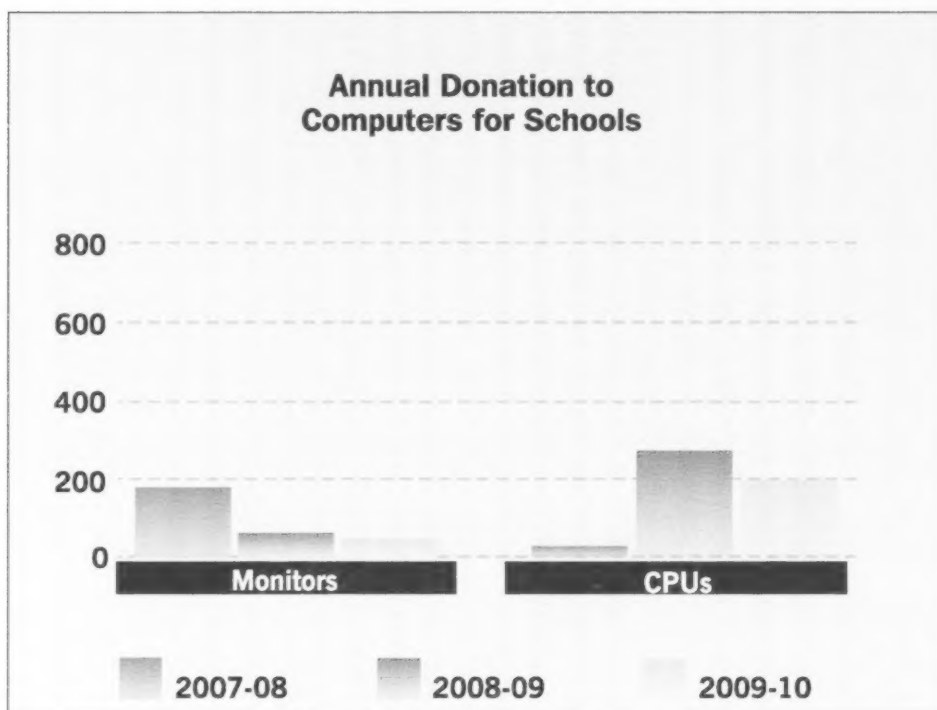
During the 2009-10 year an Agency representative was an active participant in the development and signing of the Agreement between the Government of Canada and the Government of the United States of America on Government Procurement. This Agreement arose in response to the United States signing of the American Recovery and Reinvestment Act of 2009, (ARRA) legislation. The ARRA legislation includes protectionist "Buy America" provisions which prohibit the use of funds appropriated through the ARRA for any project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the project are produced in the US.

The Agreement reached between Canada and the US, in principle, provides Canadian suppliers the right to participate in a number of infrastructure projects funded under the ARRA. In return, Canada provides US suppliers permanent access to provincial and territorial tenders under the terms of the Agreement on Government Procurement.

The Agency also administers the intergovernmental procurement agreements on behalf of the Province. The Government of Newfoundland and Labrador's involvement with these agreements has become a valuable means of reducing trade barriers across Canada. The purpose of implementing intergovernmental procurement agreements is to establish a framework that will ensure equal access to procurement for all suppliers. The agreements contribute to a reduction in

purchasing costs and the development of a strong economy. Participation directly supports the Ministers' commitment to Supplier Development. The agreements ensure local suppliers have an equal opportunity when bidding on Government tender opportunities throughout Canada.

Continued participation in the Computers for Schools Program remains a priority. This is a national program that operates in cooperation with all provinces and territories, and the volunteer and private sectors. This partnership ensures quality used computers are forwarded to deserving schools. The following chart depicts the Agency's contribution for the past three years.



Highlights and Accomplishments

Purchasing

- In 2009-10, acquisitions made through the Oracle purchasing module totaled \$1,090 million. This compares to \$738 million in 2008-09 and \$648 million in 2007-08.



- In 2009-10, there were 15 public auctions and seven disposal tenders on behalf of government departments and agencies. This is slightly higher than the previous year activity of 13 auctions and six disposal tenders.
- In 2009-10, the estimated expenditure for coordinated advertising was \$4.1 million down slightly from \$4.3 million in 2008-09.
- In 2009-10, the Central Purchasing Authority coordinated 31 contracts to be used by both government departments and government funded bodies.

Audit

- In 2009-10, 12 audits of government funded bodies and departments were performed.
- 1,467 exceptions were reported to the House of Assembly as compared to 1,283 in 2008-09.

Information and Training

- The Agency was delegated responsibility for the delivery of training for the procurement component of Government's financial system. In 2009-10, a training package was developed and offered to staff across departments.
- Staff were presenters at six Supplier Development sessions across the Province.
- The Agency continued delivery of its *Public Tender Act* training.

Report On Performance 2009-10

In its 2008-11 Business Plan the Agency identified two key priorities of the Minister. These were recognized in consideration of the financial resources of the Agency along with Government's strategic directions and mandate.

- (i) Review of internal business processes, and
- (ii) Access to procurement information

The Business Plan also outlined goals and objectives to be achieved during the next three years and their impact on the issues.

Issue 1: Review of Internal Business Processes

Goal: By 2011, the Government Purchasing Agency will have initiated the implementation of priority recommendations resulting from a review of internal procurement processes.

Objective: By 2010, the Government Purchasing Agency will have analyzed data to identify potential opportunities to enhance the procurement process.

Measure: Compiled and analyzed multi-year comparative data.

Indicator: Report developed identifying recommendations for enhancing the procurement process.

The Minister, in the 2008-11 Strategic Directions, committed to "Improved Efficiencies in the Procurement Process". To ensure on-going service quality the Agency has committed to continual improvement throughout the organization. In 2008-09, the Agency completed a review of its internal business processes. The report detailed existing procedures and areas where positive change could be effected.

Discussion of Results

Operational

During 2009-10, statistical data was collected to support the change process. This involved collecting data on the number of information requests, turnaround times and information delivery methods. On average the Agency receives 80 requests for tender results each month. Currently, the majority of responses are forwarded via fax as awards are not publicly posted. This has proven to be a time consuming and costly process for both the Agency staff and supplier community.

During 2009-10, staff initiated discussions with the Office of the Chief Information Officer (OCIO) to develop an internet based communication tool to report tender award values and the successful bidder. Implementation will occur in June 2010. It is anticipated this will result in a significant decline in the volume of requests. We will continue to monitor the activity to measure the effectiveness of the tender award website.

Procurement

In 2008-09, the Agency collected data with respect to activity levels, work load volumes and turnaround times. In 2009-10, it expanded the analysis to include data on the effectiveness of existing low-dollar procurement policies and the value of acquisitions remaining in the Province.

More than 3,000 acquisition files, covering three fiscal years, were examined. The resulting report identified possible recommendations for enhancing the procurement process. These included reviewing the existing policy of publicly posting bids exceeding \$2,500 and reviewing the possibility of implementing a procurement card for low dollar purchases. The Agency will further investigate the recommendations during the 2010-11 fiscal year to determine which are viable and compliment the strategic goals of the Agency.

Objective: By 2011, the Government Purchasing Agency will have begun the implementation of priority recommendations.

Measure: Initiated implementation of priority recommendations.

Indicators:

- Workflow processes are clearly defined and communicated to staff
- Clear policies and procedures are communicated
- Learning and growth opportunities are identified and availed of by staff, where appropriate.

Issue 2: Access to Procurement Information

Goal: By 2011, the Government Purchasing Agency will have implemented a complete reporting system providing the public service and supplier community with greater access to government procurement information.

Objective: By 2010, the Government Purchasing Agency will have initiated implementation of enhanced reporting and monitoring tools.

Measure: Implementation of enhanced reporting and monitoring tools initiated.

Indicator: Report compiled identifying reporting and monitoring tools.

In increasing both the public sector and supplier access to procurement information the Agency took a two step approach. The first, which was completed in the 2008-09 fiscal year, was to make more readily available information respecting awarded tenders for government reporting purposes. The second was the development of a procurement solution which would provide greater access to the public sector and supplier community.

Discussion of Results

In 2008-09, the Agency implemented the Tender Award and Reporting System (TARS) which allows for access to public procurement information across departments and government funded bodies. Information concerning how dollars are distributed both within the Province and abroad is compiled in a semiannual report. This information, however, has lead to the identification of additional reporting

requirements. Further detail as to the items purchased and the supplier location will greatly enhance the supplier development initiative.

Reporting and monitoring capabilities for internal operations and access to information for suppliers continues to be a manual and time consuming process. During 2008-09 the Agency, in partnership with several departments throughout Government, awarded a contract for the implementation of a complete procurement solution. Components of this system were identified by the various departments after a thorough review of existing capacity and required capabilities. The chosen system offered components which would provide greater access and information for both employees throughout Government and for members of the supplier community. Implementation of the system was subject to the outcome of integration and vulnerability assessments scheduled for the 2009-10 fiscal year.

Testing of the system was a joint effort undertaken by officials from the Government Purchasing Agency and the OCIO. The results showed implementation would leave Government information vulnerable to unauthorized access. As no viable solution was presented it was determined cancellation of the project was the only option.

While this cancellation has delayed implementation of a procurement solution it has not eliminated the potential for goal completion. Agency staff are now working with representatives from the Office of the Comptroller General in an effort to enhance the existing system. Upgrades to provide self-service capabilities for suppliers and improve reporting and monitoring are being investigated. These discussions are in the very preliminary stages with many variables beyond the control of the Agency. For these reasons it would be premature to define a project timeline. While Agency staff had anticipated completion of a report identifying reporting and monitoring tools cancellation of this project has forced a delay.

Through the experiences and information acquired during the past year the Agency is better positioned to move toward its ultimate goal of greater access to procurement information. Although implementation of a new system has been delayed progress has been made with the tender award website. The Agency is committed to building upon this success and implementing an enhanced reporting and monitoring system.

Objective: By 2011, the Government Purchasing Agency will have implemented a reporting and monitoring system to provide greater access to procurement information to the public service and supplier community.

Measure: Improved reporting and monitoring tools providing greater access to procurement information.

Indicators:

- Reporting and Analysis tools implemented and utilized.
- Increased access to procurement information

Opportunities and Challenges

The cancellation of the system implementation has created many challenges. Essentially the process must begin again. The Agency must conduct a review of the current Oracle Purchasing module to determine if any additional functions are readily available which will enhance the existing system. This will be a lengthy process requiring a coordinated effort across several departments. If this review concludes the current module is insufficient to meet the growing demands on procurement, i.e. electronic tendering, supplier self service, etc. then a broader approach will be taken to determine if other Oracle products can perform the required functions.

The Agency looks forward to receiving direction on the "Review of Government's Procurement Legislation, Policies and Processes." This review arose from Government's Blue Book Commitment to "through the Government Purchasing Agency implement revisions to reform procurement and capital works tendering policies". Results of the Consultant's report are being discussed to determine the most appropriate action for the Province and its business community. While moving the Province toward the forefront of public procurement remains a priority it also poses many challenges. Informing the public sector and supplier community of the new rules, policies and processes will be required as well as implementing new reporting measures to ensure compliance. Both will require a significant commitment of time and resources. However, the Agency is committed to working with its stakeholders to ensure any changes are properly communicated and regulations enforced.

Information provided by the TARS system will assist in identifying product demand and availability across the Province. This provides a great opportunity to assist local suppliers competing for government business. The challenge exists in collecting and analyzing the data with the aim of strengthening the provincial supplier market.

Streamlining the procurement process under the Corporate Services Business Model will present a significant test in 2010-11. The goal from the purchasing perspective is the centralization of procurement activities under the authority of the Government Purchasing Agency while maintaining operational efficiencies within departments. The success of this reorganization will require the repositioning of staff across departments, developing additional policies and procedures and communicating the new processes to all departmental employees across government.

Increasing access to procurement information remains both a challenge and an opportunity. While the Agency continues to move forward with electronically posting tender award information the details presented must be tempered to ensure the protection of an individual's right to privacy. Before information can be released compliance with the *Access to Information and Protection of Privacy Act* must be ensured.

Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2010. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency Statement of Expenditures and Related Revenues For Fiscal Year Ending 31 March 2010

	Actual	ESTIMATES	
		Amended	Original
	\$	\$	\$
Salaries and Benefits	\$1,363,986	\$1,673,700	\$1,673,700
Transportation and Communication	58,015	59,000	80,000
Supplies	31,577	34,400	22,900
Professional Services	16,374	218,500	225,000
Purchased Services	146,074	153,800	183,900
Property, Furnishings & Equipment	47,777	47,800	1,700
	1,663,803	2,187,200	2,187,200
Less Revenues	(218,797)	(258,000)	(258,000)
Total:			
Government Purchasing Agency	\$1,445,006	\$1,929,200	\$1,929,200